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# Press Release

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## **WEST VIRGINIA SETTLES WITH HOUSEHOLD FINANCE**

All fifty states plus DC have filed formal consent judgments.  
The unprecedented settlement will total \$484 million for consumers -  
including approximately \$1.5 million for 1500 West Virginians

Attorney General Darrell V. McGraw, announced Monday that West Virginia has formally entered into a settlement with Household Finance Corporation through a consent judgment filed December 16, 2002 in the Circuit Court of Kanawha County in Charleston. Also joining the suit was Jane Cine, Insurance Commissioner. "Household will change its lending practices under the settlement," McGraw said, "and it will pay West Virginia consumers about \$1.5 million in restitution for alleged unfair and deceptive lending practices in the subprime lending market." McGraw said details on restitution procedures and eligibility will be announced in the next few months.

Household will pay a total \$484 million in consumer restitution nationwide, McGraw said. State officials said that is the largest direct restitution amount ever in a state or federal consumer case.

The tentative settlement was announced October 11, but the settlement and restitution amount were contingent on the number agreed in the terms of the settlement. McGraw said consent judgments were filed yesterday in all fifty states and the District of Columbia, which means Household will pay the maximum restitution amount of \$484 million.

The states had alleged that Household violated state laws by misrepresenting loan terms and failing to disclose material information to borrowers. The investigation focused on real estate-secured loans. Consumers complained that Household charged far higher interest rates than promised, charged costly prepayment penalties, and deceived consumers about insurance policies. Some consumers were trapped in costly loans by some of the practices, the states alleged.

State officials said Household cooperated in the case when the states presented their concerns. In addition to restitution, Household agreed in the settlement to numerous injunctive terms. Household will:

Limit prepayment penalties on current and future home loans to only the first two years of a loan.

Ensure that new home loans actually provide a benefit to consumers prior to making the loans.

Limit up-front points and origination fees to 5%.

Reform and improve disclosures to consumers.

Eliminate "piggyback" second mortgages.

McGraw said each state will sign its own consumer restitution plan, since Household's lending practices varied significantly from state to state. He said a settlement administrator will be selected shortly, and information on restitution terms and procedures will be sent to consumers in the next few months. Consumers do not need to contact state attorney general or financial regulator office at this time.

McGraw did ask consumers who have moved and who had real estate-secured loans with Household during the period in question (Jan. 1, 1999, through Sept. 30, 2002) to contact his office and provide his staff with a current address. Consumers can reach McGraw's office toll-free in West Virginia at 1-800-368-8808.

Each state's share of the restitution fund will be proportional to the state's percentage share of Household's total U.S. real estate loan secured dollar volume. State officials said the settlement will not be affected by the acquisition of Household Finance by HSBC, the giant banking and financial services company headquartered in London. The States' settlement with Household is binding on any successor company that might acquire Household's retail branch mortgage lending operations.

McGraw believes the Household settlement will provide momentum for improving the industry. He said questionable practices in the lending industry will continue to be a priority for his Consumer Protection Division.

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